

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3461-01
Bill No.: HB 1646
Subject: Insurance - General; Insurance Department
Type: Original
Date: February 18, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** assume this legislation could be used to prevent INS examiners from using information contained within a compliance self-evaluative audit. INS states this could increase the length of time it takes to examine a company if information is privileged or otherwise protected and examiners must start from source documents. The INS states the cost of examinations are charged to the insurance company. The INS assumes this proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

CM:LR:OD (12/01)

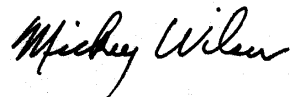
This proposal makes privileged any information collected in the course of an insurance compliance audit. The information is not admissible as evidence in any legal action, unless the insurer expressly waives the privilege, a court requires disclosure after in camera review, or the information shows that the insurer failed to undertake action to correct noncompliance within a reasonable time. The privilege does not extend to any information that is already required to be provided to a regulatory agency or to any information that is independently obtained.

A court may order disclosure of the privileged information for a criminal proceeding under certain conditions. An insurer may voluntarily submit the audit to the Department of Insurance without waiving the privilege. The privilege is deemed to be waived by the insurer 30 days after receiving a request for disclosure of a self-evaluative audit by the department or a prosecutor, unless the insurer files a petition for an in camera examination. Any compelled disclosure of an audit will not make the audit a public document.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
February 18, 2002